MEDICARE and YOU

1989 EDITION

#2

WHAT IS "MEDICARE"?

It's a broad program of federal health insurance for people age 65 or over, and for many disabled people, established by Congress in 1965 via Social Security amendments.

WHY IS IT IMPORTANT?

Because it helps these people pay hospital and doctor's bills, thus ensuring the best possible health care in their old age or when they are disabled and can't work.

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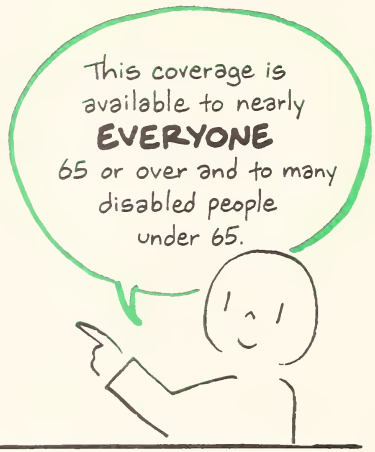
This **medicare** program is in

2 PARTS:

A. BASIC HOSPITAL INSURANCE

See pages 4 to 7



B. VOLUNTARY MEDICAL INSURANCE

See pages 8 to 11

A. BASIC HOSPITAL INSURANCE

IT'S IMPORTANT TO REMEMBER that Medicare only covers care that is "reasonable and necessary" for the diagnosis or treatment of an illness or injury.

MEDICARE DOES NOT COVER

"custodial" care (help in walking, dressing, bathing, etc.) or care that is not considered "reasonable and necessary."

WHO helps Medicare DECIDE if care is reasonable and necessary?

A Peer Review Organization (PRO) for each hospital -- or a Utilization Review Committee for each skilled nursing facility -- approves or disapproves each patient's stay. In addition, PROs are responsible for:

- reviewing hospital decisions or reconsidering PRO decisions made about hospital stays
- investigating individual patient complaints.

A NOTE ABOUT PROSPECTIVE PAYMENT

Since 1983, Medicare has been using the Prospective Payment System to pay most hospitals.

- Under this system, the hospital is paid a fixed amount for each patient's primary diagnosis during a hospital stay -- whether it's more or less than what the hospital would actually charge.
- Prospective Payment does not decide the length or quality of the patient's care or affect the patient's insurance protection.

What it COVERS and PAYS

For those who MEET ELIGIBILITY REQUIREMENTS, hospital insurance can help pay for:

HOSPITAL CARE

When you enter a hospital, Medicare pays all covered costs:

- except for the first $560 per year*
- regardless of your length of stay or the total cost.

There is a lifetime limit of 190 days on payments for treatment in mental hospitals.

SKILLED NURSING or rehabilitative care in a Skilled Nursing Facility (certified by Medicare) -- **UP TO 150 DAYS, PER CALENDAR YEAR,** provided that you need and receive daily skilled nursing care or rehabilitation services. Medicare pays all covered costs, except for $25.50* for each of the first 8 days.

HOME HEALTH CARE

If special conditions are met (check with a home health agency) Medicare pays full approved cost of visiting nurses, physical therapists and other health workers (but not doctors). Benefits are expanding in 1990.

HOSPICE CARE

Medicare pays covered costs for 210 days of hospice care -- more if the patient is recertified as terminally ill. The patient is responsible for part of the costs of outpatient drugs and respite care.

*through 12/31/89

A. BASIC HOSPITAL INSURANCE (cont.)

HOW MUCH DOES IT COST?

You and your employer each contribute to a special "Hospital Insurance Trust Fund" to pay for this program. Your employer will deduct your share and match it. For example

YEARS	WAGES SUBJECT to TAXATION up to	% DEDUCTION for hospital insurance	MAXIMUM YEARLY DEDUCTION for hospital insurance
1988	$45,000	1.45%	$652.50
1989	$48,000	1.45%	$696.00

Wages subject to taxation will increase automatically as the general level of wages rises across the country.

In addition, those eligible for Medicare hospital insurance (Part A) pay a supplemental premium on their federal tax returns (starting in 1989). The premium is based on taxable income. Your 1989 federal income tax package will provide further details.

PROTECTION STARTS AUTOMATICALLY

IF-- you are receiving benefit checks from Social Security or railroad retirement at 65, or after you have been entitled to Social Security disability checks for 2 years.

YOU'LL GET INFORMATION BY MAIL A FEW MONTHS BEFORE YOUR 65th BIRTHDAY OR BEFORE THE 2 YEARS ARE UP, IF YOU ARE DISABLED.

BUT, you should apply for Medicare at the local Social Security office or Railroad Retirement Board 2-3 months before your 65th birthday IF:

- you will not be receiving Social Security or railroad retirement payments at 65, or
- you plan to continue working past 65, or
- you're eligible for Medicare based on federal employment.

ALSO, see your Social Security office about Medicare if you are:

- disabled, under 65 and getting railroad disability annuities, or
- disabled, and possibly eligible for Medicare based on federal employment, or
- needing dialysis or a transplant for chronic kidney disease.

NOTE: If you (or your spouse) are working and/or covered by an employer's health insurance plan -- even though you qualify for Medicare -- the employer's plan can be your primary insurance payor. In this case, Medicare will act as your supplementary insurance payor. If you think this provision may apply to you, contact your personnel office or your local Social Security office.

B. VOLUNTARY MEDICAL INSURANCE

What it COVERS and PAYS

Except for the first $75 each year -- this insurance pays 80% of Medicare's approved charge for the following services:

PHYSICIANS' AND SURGEONS' SERVICES

received at home, in a hospital, or elsewhere. Also, some limited services of chiropractors are covered.

HOME HEALTH SERVICES

-- unlimited medically necessary visits under an approved plan. Insurance pays approved cost of covered services with no deductible. (Certain conditions must be met -- check with a home health agency.)

OUTPATIENT HOSPITAL SERVICES

including X-rays and tests, your physicians' and hospital staff physicians' services, medical supplies and services.

OTHER MEDICAL AND HEALTH SERVICES

including tests, surgical dressings, rental and purchase of medical equipment certain colostomy care supplies, outpatient maintenance dialysis treatments, outpatient physical therapy and speech pathology services, etc.

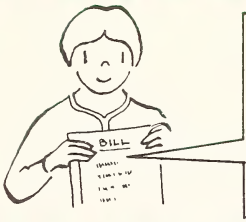
Beginning in 1990, insurance pays 100% of approved charges once your out-of-pocket expenses reach $1370. (For details ask for a copy of "Your Medicare Handbook" at any Social Security office.)

MEDICAL CLAIM ASSIGNMENT

under voluntary medical insurance. Either you or your health-care provider may submit claims to Medicare, depending on ASSIGNMENT-- which is a method of payment. For example, assuming you have met the $75 annual deductible:

IF YOUR PHYSICIAN ACCEPTS ASSIGNMENT

-- he or she agrees not to charge more than the Medicare-approved fee for a particular service. Then, when your physician submits a claim, Medicare pays him or her 80% of the approved fee (you pay the other 20% -- called coinsurance).



Office Visit
Doctor's fee..... $25
Doctor takes assignment for.... $20
80% Medicare Coverage.....- $16
You pay coinsurance..... $4

IF YOUR PHYSICIAN DOES NOT ACCEPT ASSIGNMENT

-- he or she can bill you for the full charge, even if it's higher than Medicare's approved fee. You may have to submit your own claim to Medicare.

In this case, Medicare pays you 80% of the approved charge, but you must pay the other 20% plus any amount beyond the approved fee.

Fee paid $25
80% of the $20 allowed by Medicare.....- $16
You pay..... $9

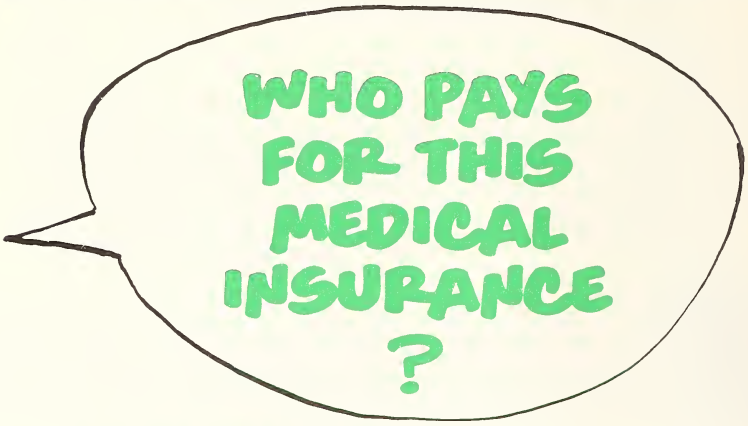
IMPORTANT!

MEDICARE-PARTICIPATING PHYSICIANS accept assignment on all Medicare claims. Physicians who don't participate may accept assignment at their discretion.

To find out if a physician accepts assignment on Medicare claims, call his or her office, or contact your local Social Security office or Medicare carrier.

NOTE: if you already have private hospital or medical insurance, **DON'T CANCEL** it until you've talked with someone who understands insurance and your financial situation.

B. VOLUNTARY MEDICAL INSURANCE (cont.)



IF YOU TAKE IT AT YOUR FIRST OPPORTUNITY:

You pay $31.90* per month -- a $27.90 basic premium, plus $4 to help pay for new coverage under the Catastrophic Coverage Act of 1988. The federal government pays even more out of general funds.

Your $31.90* per month will be DEDUCTED from your Social Security monthly check (or from your railroad retirement or civil service retirement check).

The **$31.90*** deduction starts the month your coverage starts. If you do not receive monthly checks from any of the above sources, you make your monthly payment directly to Medicare.

*through 12/31/89

HOW AND WHEN DO I ENROLL?

If you are receiving Social Security benefits or retirement benefits under the railroad retirement system, you will be automatically covered by medical insurance -- **UNLESS YOU SAY YOU DON'T WANT IT.** At the same time you'll become entitled to hospital insurance.

YOU WILL GET INFORMATION IN THE MAIL A FEW MONTHS BEFORE YOU BECOME ENTITLED TO HOSPITAL INSURANCE -- WITH AN OPPORTUNITY TO DECLINE MEDICAL INSURANCE.

Everyone else who is eligible for medical insurance must apply for it at a Social Security or railroad retirement office.

IF YOU DO NOT ENROLL AT YOUR FIRST OPPORTUNITY

you can sign up during a general enrollment period -- January 1 through March 31 each year. Protection begins the following July, and your monthly premium will be 10% higher than the basic premium for each 12-month period you could have had medical insurance but were not enrolled.

What is included in "HOSPITAL BENEFITS"?

Except for the $560* deductible, insurance covers the cost of room and board in a semi-private room (2 to 4 beds), ordinary nursing services (not private duty), services of hospital technicians; and cost of the drugs, supplies and most other items of service usually provided by hospitals for patient care.

What if I haven't worked long enough under Social Security, the railroad retirement system, or in federal employment to be eligible for hospital insurance?

When you reach 65 you can buy this protection on a voluntary basis. Premium is $156 per month (through 12/31/89). People who choose to buy hospital insurance must also enroll for medical insurance.

Do all "Nursing Homes" qualify under this program?

No! Just skilled nursing facilities approved for Medicare, which furnish professionally supervised medical services (such as round-the-clock nursing service with a full-time registered nurse, and a physician available for emergencies).

What kind of "HOME CARE" is covered?

It includes part-time skilled nursing care, speech and physical therapy, etc., under plan worked out and periodically reviewed by a physician to meet a patient's needs. If you need any of these services, Medicare may then cover occupational therapy, part-time home health aides, medical supplies and equipment, and medical social services.

*through 12/31/89

Can I join a HEALTH MAINTENANCE ORGANIZATION and still receive Medicare benefits?

Yes. If you join an HMO (or another qualified health plan), you'll receive services covered by Medicare -- and possibly some services not covered by Medicare. You simply continue to pay your monthly Medicare medical insurance premium (and a small monthly HMO premium in some cases).

What are "OUTPATIENT HOSPITAL SERVICES"?

They include practically all the services received in the Outpatient Department of a hospital, such as lab tests and x-rays. You would not stay overnight at the hospital.

Can you still choose your physician and hospital?

Yes. You can choose your own physician. And Medicare helps pay for covered care in any hospital participating in the program.

Are any physical exams needed to be eligible?

No, not for either program.

Suppose I can't pay my part of medical expenses?

In this case, you may be able to get help from your state medical assistance program (Medicaid).

OTHER QUESTIONS?

Call or visit your nearest Social Security office--listed in the phone book under "Social Security Administration," Or ask at your local post office for the address.

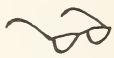
IMPORTANT

SERVICES NOT COVERED BY EITHER PLAN*

1. **CUSTODIAL CARE**
   -- for personal needs
   -- doesn't require professional skills or training

2. **Routine PHYSICAL CHECKUPS, HEARING EXAMS, DENTAL CARE**

3. **EYEGLASSES and EYE EXAMS** for prescribing, fitting or changing eyeglasses.



4. **HEARING AIDS**

5. **DENTURES**

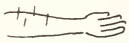
6. **ORTHOPEDIC SHOES,**
   unless they're part of leg braces and included in the orthopedist's charge.

7. **PRIVATE DUTY NURSES**

8. **PERSONAL SERVICES** in your hospital or skilled nursing facility room (telephone, TV, etc.)

9. **NONREPLACEMENT FEES CHARGED FOR THE FIRST 3 PINTS OF BLOOD**
   or packed red cells each calendar year

10. **ACUPUNCTURE**



DRUGS

Under the HOSPITAL PLAN,

drugs are covered if furnished to a patient in a hospital or skilled nursing facility.

Under the MEDICAL PLAN,

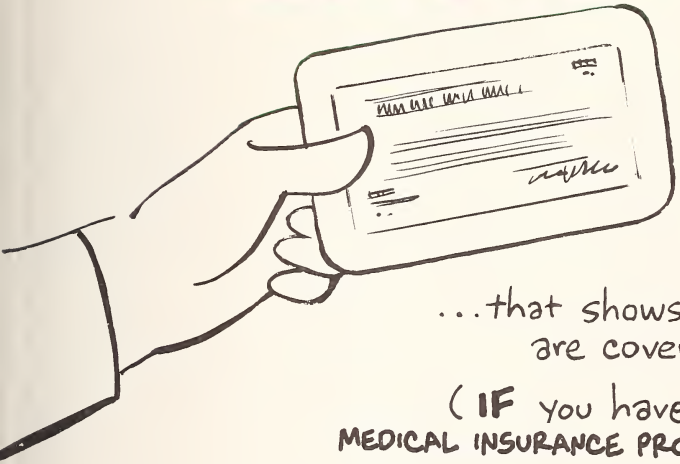
drugs that cannot be self-administered are covered if administered as part of a physician's professional services or as part of outpatient hospital services.

Medicare begins partial coverage of some outpatient prescription drugs in 1990. Coverage expands in 1991.

* Some of these services may be covered if you are enrolled in an HMO.

After you qualify for the hospital insurance program you will receive a

HEALTH INSURANCE CARD



...that shows you are covered.

(**IF** you have **MEDICAL INSURANCE PROTECTION**, the same card will show you have this protection.)

KEEP THIS CARD WITH YOU

and always show it to hospital, skilled nursing facility, home health agency, physician or other person providing services.